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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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COUNTRY Germany (Russian Zone)

SUBJECT DDR Financial Matters

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SUPPLEMENT TO
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25X1X 1. The national income of the DDR in 1950, calculated on the basis of income tax and social insurance payments, amounted to approximately DM-58,000,000,000. In considering this figure, it must be taken into account that the entire population is affected by a double price standard, the rationed and the free. Thus, an income of DM-200 east monthly has about 66 percent of the purchasing power of the same income in Western Germany, while an income of DM-350 east has 50 percent and an income of DM-600 east goes down to about 40 percent of the purchasing power for similar Westmark incomes. The larger the income, the more may be spent for ration-free but heavily-taxed and highly-priced items, against which the buying power of income progressively weakens in relation to that of like Western incomes. The buying power of income for Eastern Germany is about one-half of that in Western Germany. It may be estimated that the other half is lost through inefficiency of industry and agriculture, through cost of restoration of dismantled industrial plant and through extraordinary occupation costs.

2. Following is a tabulation of the planned and the actual investment program in the DDR for 1950:

<u>Industrial</u>	<u>Planned</u>	<u>Actual</u>
Machine construction	DM-215,900,000	DM-181,300,000
Coal mining	93,800,000	77,100,000
Electric power	49,300,000	38,500,000
Metals production	228,900,000	194,300,000
Chemical production	83,700,000	70,800,000
Building	22,300,000	19,800,000
Stone and earths	15,500,000	13,200,000
Light industries	82,500,000	68,400,000
Food products (including fisheries)	88,200,000	83,300,000
Government building construction	10,400,000	9,500,000
	DM-890,500,000	DM-756,200,000

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	<u>Planned</u>	<u>Actual</u>
<u>Transportation and Communication</u>		
Railways	146,200,000	114,100,000
Water transport	21,100,000	17,100,000
Motor vehicle transport	400,000	100,000
Mail, telegraph, telephone	27,200,000	22,800,000
	DM-194,900,000	DM-154,100,000
<u>Agriculture</u>		
Peoples'-owned farm lands	21,300,000	17,800,000
Land reclamation	37,000,000	34,100,000
Tractor lending stations (MAS)	83,000,000	80,500,000
Water supply and maintenance	36,000,000	33,900,000
Stock raising	1,400,000	1,300,000
Forestry	30,000,000	29,300,000
Research	2,200,000	1,800,000
	DM-210,900,000	DM-198,700,000
<u>Domestic Supply</u>	DM- 17,800,000	DM- 18,000,000
<u>Foreign Trade and Supply</u>	DM- 17,400,000	DM- 10,400,000
<u>Peoples'-Owned Farm Products Purchase Agency (VVEAB)</u>	DM- 11,500,000	DM- 11,500,000
<u>Education</u>	DM- 5,600,000	DM- 4,500,000
<u>Public Health</u>	DM- 31,800,000	DM- 28,800,000
<u>Justice</u>	DM- 2,400,000	DM- 1,900,000
<u>Government Buildings</u>		
Chancellory	38,400,000	27,700,000
Ministry of Interior	45,000,000	- - - - -
Plans and specifications	10,000,000	2,700,000
	DM- 93,400,000	DM- 30,400,000
<u>Scientific and Technical Advance</u>	DM- 10,200,000	DM- 8,000,000
<u>The Land Administration</u>		
Saxony	143,500,000	107,600,000
Saxony-Anhalt	100,400,000	78,600,000
Brandenburg	80,100,000	60,700,000
Thuringia	93,400,000	76,600,000
Mecklenburg	68,800,000	54,900,000
City of East Berlin	207,800,000	154,800,000
	DM-694,000,000	DM-533,200,000
<u>Resettlement Program</u>	DM-100,000,000	- - - - -

3. HO sales statistics are reported as follows:

A. HO sales for the last three months of 1950 in the Soviet Sector of Berlin:

	<u>October</u>	<u>November</u>	<u>December</u>	<u>DM TOTAL</u>
Food Products	DM-36,000,000	DM-39,000,000	DM-51,000,000	126,000,000
Textiles	25,000,000	31,000,000	40,000,000	96,000,000
Restaurants	4,500,000	4,600,000	4,700,000	13,800,000
	DM-65,500,000	DM-74,600,000	DM-95,700,000	235,800,000

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- B. The HO turnover for the entire year of 1950 for both the Soviet Zone and the Soviet Sector of Berlin amounted to DM-4,237,000,000. The three months of the final quarter are broken down thus:

October	DM-413,000,000
November	449,000,000
December	582,000,000

- C. During the month of March 1951, HO sales in Berlin were:

Food Products	DM-38,000,000
Textiles	31,300,000
Restaurants	4,600,000
Other	11,000,000
	<u>DM-84,900,000</u>

- D. The cash sales of the HO in Berlin during April 1951 were DM-76,700,000. Of this, DM-34,000,000 was received from sales of food products.

4. The sum allocated for investment during 1951 in the VEB Walzlagerfabrik Fraureuth has been raised by DM-4,400,000 while the allocation for Walzlagerfabrik Lichtenberg has been reduced by DM-1,800,000.
5. The community of West-Staaken, recently separated from the city administration of West Berlin and incorporated into the Soviet Zone, has been allocated DM-932,000 in investment money for the purposes listed below:

Motion Picture Theatre	DM-320,000
Health Clinic	200,000
Street Construction	160,000
Street Lighting	60,000
Schools, Churches, etc.	192,000

6. Siegfried Schramm, head of the foreign exchange section of the Ministry of Finance, has defected and fled to West Berlin. His successor is Hans Behnke, formerly employed by the Deutsche Notenbank and for a time by the Berlin Stadtkontor. From this later position he was discharged.
7. The Dresdner Bankverein G.m.b.H., is unable to cover its demands. Consultations over ways and means to save the institution have been going on in both Berlin and Dresden.
8. At the time of the Soviet Zone currency reform in June of 1948, the application of unequal conversion ratios led to an uncovered balance of DM-6,800,000,000. The legally established rate of ten to one for converting the old Reichsmarks was ignored in converting funds of the then SMA, the SED, FDGB and other privileged organizations and persons. These received their new money at the rate of one to one. This difference has now been cleared except for DM-1,700,000,000 which the Soviet Control Commission is pressing the DDR to pay off with utmost haste. The DM-5,100,000,000 already paid, came from the sources indicated below:

Funds of the former DWK, by 2nd half of 1948	DM-2,300,000,000
National budget, 1948	800,000,000
National budget, 1949	800,000,000
National budget, 1950	1,200,000,000

9. Approved for investment during 1951 are, among others, the following sums for special projects:

Erection FDGB building in Erfurt	DM-2,000,000
Erection Thälmann monument	350,000
Manufacture of electric light sockets	3,320,000
Manufacture of reinforced concrete railway ties	825,000

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A request for allocation of DM-795,000 for erection of a Heinrich Mann sanitarium in Liebenstein, Thuringia was rejected because the project lacked urgency.

10. Import and export volume for the Soviet Sector of Berlin is reported by the Ministry of Finance as follows:

	<u>Import</u>	<u>Export</u>
November 1950	DM-2,200,000	DM-2,500,000
December 1950	5,100,000	100,000
January 1951	3,800,000	500,000
	<u>DM-11,100,000</u>	<u>DM-3,100,000</u>

11. On 19 April 1951, the Ministry of Finance employed 810 persons. In addition, the partly independent tax administration division (Abgabenverwaltung) employs 314 persons.*
12. Frau Greta Kuckhoff, president of the Deutsche Notenbank, returned the second week in April from a four-week sojourn in Moscow. On 18 April she gave a talk before a selected group of leading personnel from the Ministry of Finance and the Notenbank in which she stressed the necessity of centralizing the entire banking structure in the DDR under the Notenbank. She also announced the formation of a planning department within the Notenbank to be headed by (fnu) Heinicke who will receive the title of director. Heinicke previously was on the staff of the "Planökonomisches Institut" in Karlshorst. Also addressing the group on this occasion was Martin Schmidt, city treasurer of East Berlin, who had also just returned from a stay in Russia.
13. The SED made cash deposits at the Berliner Stadtkontor Ost as follows:

August 1950	DM- 2,750,000
September 1950	1,100,000
October 1950	3,800,000
November 1950	1,300,000
December 1950	3,200,000
January 1951	1,800,000
	<u>DM-13,950,000</u>

14. Occasional rumors are heard again of a possible currency conversion. It has been suggested by Dewey, one of the directors of the Deutsche Notenbank, that the large denomination notes be called in. The Notenbank is aware that between DM-800,000,000 and DM-1,000,000,000 are circulating uncontrolled and wishes to get this money back into regulated channels. The greatest share of this, it is presumed, is cash in the hands of the general public, in what is often referred to as pocket safes (Taschen-Tresoren). The public hangs on to it tenaciously in its fight to keep it out of the banks. Some of these funds have drifted into western hands, particularly in West Berlin. Other sums in cash are in the hands of Wismut A.G., the SKK and the SED.

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Comment: In the HICOG study, prepared by the Office of Intelligence - Strategic Division, entitled "GDR Handbook, Part IX", the number of employees in the Ministry of Finance as of July 1950 is given as 567, exclusive of personnel belonging to the DZFD. This figure checks with the September 1950 revised directory of the Ministry).